

Seattle City Council
Divided Report for CB 118115
June 11, 2014

**Divided Report for Council Bill 118115
For Consideration at Full Council on June 16, 2014**

On June 4, 2014 the City Council's Education and Governance Committee (Committee) considered the Mayor's request to increase the pay band for Seattle City Light's General Manager and Chief Executive Officer (SCL GM/CEO). If passed Council Bill (CB) 118115 will change the pay band for the SCL GM/ CEO by increasing, as of January 1, 2014, both the lower and top pay rate by 45% as shown below:

Year	Pay Band Rates	Annualized
2013	\$75.35 - \$120.57	\$157,331 - \$250,750
2014	\$109.09 - \$174.56	\$227,779 - \$364,481

The City Council approves structural adjustments for the City's eleven discretionary pay programs every year based on a labor market or trend analysis conducted by the Personnel/HR Department. The appointing authority, which is the Mayor for all department heads, determines the actual salary the individual will receive within the pay band. In 2013 the SCL GM/CEO salary was \$244,954.

The Committee voted to approve the increase to the SCL GM/CEO pay band rates as requested by the Mayor by a vote to 3 to 1.

Yes	3	(Councilmembers Burgess, Bagshaw, Clark)
No	1	(Councilmember Sawant)

Majority Position (Councilmembers Burgess, Bagshaw, Clark)

Seattle City Light (SCL) has a budget of \$1.2 billion and over 1800 employees. The City needs talented, experienced leadership to lead the utility and deliver services to its ratepayers. In retaining or finding such leadership the City competes with other utilities nationwide. We find the Personnel/HR Department's analysis of comparable pay for similarly sized public utilities to be thorough and consistent with the analysis they perform when considering marketplace adjustments for any city job title. Consideration of salaries nationally was appropriate as Seattle competes nationally for executive talent, particularly in highly specialized areas like the electric utilities. Adjustment of the pay band rates is appropriate to bring the pay band rates up to comparable rates paid to the heads of other similarly sized public utilities and would be required if Seattle needed to recruit a new SCL GM/CEO.

We also found it appropriate to adjust the SCL GM/CEO's pay band rates so they are above the pay band rates of the Electric Utility Officer 3 job title who reports to the SCL GM/CEO.

External market analysis:

In 2013 the Personnel/HR Department conducted a regional and national review of the salaries currently being paid to comparably sized utilities and found the SCL GM/CEO's 2013 salary was below both the national and regional median salary.

Personnel/HR's market analysis considered public power organizations of comparable size and complexity based on the utilities' revenue. 11 public utilities that met the revenue criterion were used in the analysis. The salaries noted below are just base salaries, not bonuses or additional benefits.

2013 National Market Average	\$313,468
2013 National Market Median	\$354,711
2013 Regional Market Average	\$288,257
2013 Regional Market Median	\$295,000

The regional market median is about 17% above the current range maximum for the SCL GM/CEO position.

Data from five regional public power utilities was collected and considered in Personnel/HR's analysis. The five regional utilities were: Chelan County PUD, Grant County PUD, Clark Public Utilities, Tacoma Public Utilities and Snohomish PUD. It was noted that Grant and Chelan County are much smaller utilities.

The 2013 salary of Tacoma Public Utilities was \$309,795 and Snohomish County PUD is \$356,488. The current SCL CEO/GM pay band maximum is \$251,750.

Council Bill 118115 proposes a structural adjustment for the SCL GM/CEO pay band based on the 2013 regional and national market analysis, and the data in this Divided Report reflects the 2013 market analysis. Data was also distributed at Committee that showed a projected 3% salary increase in 2014 for the utility/energy market.

Internal Alignment within SCL

The Mayor is also recommending a change to the SCL GM/CEO pay band rates to create a better alignment within SCL. The maximum of the Electric Utility Officer 3 pay band rate is \$256,323, above the top pay band rate of the SCL GM/CEO which is \$251,750. This change will provide the top Executive in SCL with the highest pay band rate.

Minority Position (Councilmember Sawant)

Opinion on Split Vote on Pay Hike for Highest-Paid City-Employed Executive

On Wednesday, June 4th, the Seattle City Council's Education and Governance Committee voted to grant the highest paid City-employed executive, Jorge Carrasco, additional pay of up to

\$100,000, retroactive to January 1st. Mr. Carrasco is the General Manager and Chief Executive Officer of Seattle City Light, a publicly-owned utility. He is currently paid \$245,000 annually.

It is important to note that the Council Committee passed this raise, which amounts to paying Mr. Carrasco up to \$175/hour, just two days after voting on the historic \$15/hour minimum wage ordinance, and pledging to address income inequality.

The question of a pay hike for Mr. Carrasco came to the Council Committee following approval from the Mayor's office. During the Committee discussion, the Mayor's Personnel Director, Susan Coskey, said that there were "glaring differences" between City-employed executives and those in the private sector. Ms. Coskey also said that Mr. Carrasco is currently "underpaid."

When he came into office, the Mayor of Seattle started paying an average of \$45,000 more than his predecessor to top deputies. Around 800 City workers, meanwhile, are still waiting for the \$15/hour promised to them by the Mayor in his executive order in January.

While Mr. Carrasco's salary is financed by ratepayers, and not from the City's direct funds, the same households that pay the regressive taxes of this city and state are also the ratepayers for the City's utilities. It is not clear how the city government plans to justify such executive pay hikes at a time when electricity and other utility rates are increasing beyond the capacity of households struggling from the brunt of the recession. Such executive pay hikes are also completely inconsistent with efficiency targets included in City Light's Strategic Plan. How can City Light claim to be in cost-saving mode and yet have exorbitant increases in executive pay?

My office has reiterated that the demand for a \$15/hour minimum wage would not even have been on the city government's agenda, let alone passed, had it not been for the grassroots mass movement of low-wage workers, community organizations and labor groups, 15 Now, and Socialist Alternative's insurgent campaign to get a socialist and working class voice to City Hall.

The fact that this business-as-usual approach of increasing the already-inflated salaries of executives occurred only two days after the landmark \$15/hour vote further demonstrates that working people cannot rely on establishment politicians to represent the interests of working people and fight against inequality and executive excess. Social change has and will continue to require mass movements.

The primary argument made by the Mayor's office and by Councilmembers is that executives need to be paid as much as their "peers" in order to attract and retain "talent." Such reasoning is empirically flawed. It is true that reduced turnover among the lowest-paid and poverty-stricken workers has been observed in response to increases in minimum wage. It can also be argued that jobs that come with high levels of responsibility or stress should come with commensurate salaries.

It is extremely tenuous, however, for the City to argue that an executive who is already paid \$245,000 a year is somehow unable to discharge his duties due to hardship and urgently needs a pay increase. Similar arguments for executive salaries have been made for decades by the financial sector, and it was some of the very same outrageously overpaid executives who precipitated the financial collapse of 2008 that has left so many lost jobs and destroyed lives in its wake.

I have personally pledged to take home only \$40,000 from the six-figure salary the City pays me as a Councilmember. I do not think it makes me any less committed to my work.

This year, median CEO pay in the US crossed over \$10 million dollars, while incomes of most of the workers in the 99% have stagnated or fallen. We need elected representatives who will work against rather than pander to Wall Street's culture of extreme wealth consolidation at the top. This issue, like many others, illustrates once again why the working class needs its own candidates for electoral office who will run independent of the corporate agenda of the two parties, while empowering social movements.